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MEMORANDUM FOR: Bruce Larke, Jr.
Director, National Foreign
Assessment Center

Attached is a package of background reading, requested by the DCI, which he wants to pass to Vice President Mondale in support of his trip to West Africa. The material was pulled together by OPA and OER.

25X1

[Redacted]
Acting Director, Political Analysis

Attachment : as stated.

Date

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NFAC-4902-82

NATIONAL FOREIGN ASSESSMENT CENTER

WASHINGTON, D. C. 20505

10 JUL 1980

NOTE FOR THE DIRECTOR

Attached is the package of background reading material that you requested for Vice President Mondale. The Vice President's itinerary has changed and he will not be visiting Ivory Coast or Cameroon. The itinerary now is Senegal, Niger, Nigeria, and Cape Verde.

Bruce C. Clarke, Jr.

Attachment: as stated.

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Washington, D.C. 20505

10 JUL 1980

NOTE FOR THE VICE PRESIDENT

Here is a package of reading material on the countries you will be visiting. I trust the package will be of use to you.


STANSFIELD TURNER

Attachment:
As stated.

SENEGAL

President Leopold Senghor, who has dominated the Senegalese political scene since before independence in 1960, has given the country a long period of political stability and a bias toward democratic rule. A multiparty system was re-established in 1976. 25X1

Senghor, 73, intends to step down when his present term ends in 1983--possibly to devote more time to editing his lifetime literary work. There are persistent rumors that Senghor might retire earlier to facilitate transferring presidential power to his constitutional successor, Abdou Diouf, the Prime Minister for the past ten years. Diouf, 44, is a highly competent technician, but he has had relatively little exposure to day-to-day Senegalese politics. 25X1

Senegal, the oldest and most favored of the French colonies in Africa, has retained very close ties with France since independence. French cultural influence remains strong, most of Senegal's trade is with France, about \$150 million in French economic aid is received annually, and a 2,000-man French military force is stationed near Dakar. 25X1

Senegal's relations with the US are good, although subordinate to those with France. The country's moderate foreign policies parallel US interests in many areas, making cooperation relatively easy. Senghor made an unofficial visit to the US in April of this year, and is interested in forging closer ties. 25X1

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Senghor is deeply disturbed over what he sees as expanding Soviet influence in Africa. He is also an insistent advocate--with little encouragement from other African leaders--of a multilateral African defense force. Senegal remains one of the few African countries that does not recognize the Soviet-backed government in Angola and it contributed men and facilities to the military airlift to Zaire's Shaba Region following the incursions there in 1978. []

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Senghor's concerns have recently shifted to the north, where he perceives threatening racist and Communist-inspired encroachments by Algeria and Libya. Senegal has long had close ties with Morocco and Mauritania and has been an active proponent of a negotiated settlement of the war in Western Sahara. It threatened to pull out of the Organization of African Unity if the Polisario's self-proclaimed Saharan Democratic Arab Republic had been admitted to OAU membership at the annual heads of state meeting earlier this month. Dakar has also cracked down recently on Libyan activities in Senegal and protested Libya's harboring of Senegalese Islamic extremists. []

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DAKAR AT A GLANCE

Dakar is a large, modern city with a major port, a sizable industrial area, and road and rail connections to the interior. French influence is readily apparent in the architecture, traffic patterns, and other aspects of the city. 25X1

Although there is a large expatriate community, the population is predominately African, with Wolofs--the biggest Senegalese tribe--in the majority. There is a large African quarter near the business district; much of the housing there resembles US public housing developments.

Suburbs adjoin the city, particularly to the north. 25X1

Dakar was developed during the colonial period as the administrative capital for French West Africa, now eight independent countries. As a result, many public buildings are bigger and more handsome than one would expect in such a small country. 25X1

Senegal is proud of its dual cultural heritage--French and African. President Senghor, for instance, became famous as a poet and philosopher long before he took up politics. National pride is reflected in the university, museums, theaters, and bookstores of Dakar. In addition to preserving its French and traditional African cultural legacies, Senegal has a thriving contemporary artistic community. 25X1

Inflation and austerity are beginning to affect Dakar. Cut-backs in the enormous cost of maintaining a modern city have become inevitable, and a few pockets of shabbiness are beginning to appear. The social

effects of the new economic pressures are more serious, however, and are producing increases in crime and a mounting stridency among peddlers and market women competing for customers.

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NIGER

Predominantly Muslim Niger is the largest of West Africa's French-speaking states and, as a poor land-locked Sahelian country, is vulnerable to a variety of external cross pressures. It is the fourth-ranking producer of uranium in the non-Communist world. Niger's security will continue to depend on the ability of its leaders to balance relations with the Arab world--including Libya--its black African neighbors, and France.

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In the five years since the military took power, Niger has been run by an 11-man Supreme Military Council, chaired by pro-Western President Seyni Kountche and dominated by fellow officers of the small Djerma tribe. Kountche has established considerable political stability in Niger, and his regime is capable of handling most internal disturbances.

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Niger's 5 million people are concentrated largely in the southern agricultural region; nomadic herders inhabit the northern desert zone. Kountche is concerned that Niger's Hausa tribesmen--who are from the south and comprise about half the population--could be a destabilizing force if they become seriously disenchanted. The Hausa have little influence in the government, although they dominate the country's agricultural and commercial sectors.

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Uranium was discovered in northwest Niger in the early 1960s. Mining began in 1968 under the auspices of a consortium of public and

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private investors from France, West Germany, Italy, and Niger. In 1978 a second mining company was formed by investors from France, Japan, Spain and Niger. Three other uranium mines are expected to begin production during the 1980s. Spurred by growing world demand, Niger's production more than doubled from 1977 to 1979, which significantly improved the economy--formerly dependent on agricultural exports, subsistence farming, and herding. [redacted]

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Foreign Policy

Kountche's foreign policy is heavily influenced by the need to get along with Libya, Nigeria, and France. [redacted]

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[redacted]

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[redacted] Libya also has provided marauding Toubou tribesmen with modern small arms, making it difficult for the thinly spread government forces to control them.

Kountche, nevertheless, endeavors to remain on good terms with Qadhafi, and Niger recently sold 200 tons of uranium to Libya, some of which reportedly was resold to Pakistan. [redacted]

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Niger regards Nigeria with respect, suspicion, and jealousy, but strives to stay on good terms. Nigeria disrupts Niger's economy by drawing food and other local items--often through smuggling--out of its controlled markets. [redacted]

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Kountche depends on France for political, economic, and military support to check Libyan and Nigerian influence in Niger. French financial and technical aid has been substantial since independence in 1960.

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Niger supplies much of France's uranium requirements. France and Niger have no formal mutual defense agreement, but France probably would assist Niger against external aggression.

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Relations with US

Niger's relations with the US are friendly but are overshadowed by the country's close ties with France. The US ranks fifth among foreign donors. There may be a major American investment in uranium exploitation by the mid 1980s, but there are no significant US investments now. The US buys nothing from Niger and does not provide military assistance. Since the Sahel drought the US has committed substantial resources to a major regional development scheme.

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NIAMEY AT A GLANCE

Niamey, the capital and principal city of Niger, is a modern and expanding city of 102,000 residents. Formerly a small fishing village on the Niger River in the southwest corner of the country, it was selected as the capital in 1925. The city now profits from extensive river traffic which provides an abundance of fresh fish and produce. 25X1

Food is sold in the Small Market in the center of the business district, while the picturesque Large Market specializes in Nigerien and Malian fabrics, iron and copper work, and leather. Street vendors sell their wares at the Large Market and some small manufacturers surround the market place. Higher priced, but better quality items are sold at the National Museum, which is integrated with an exhibit on the musical and artistic heritage of Niger, examples of huts and tents from different provinces, and the zoo. 25X1

Niamey's triangular shape covers 5-6 miles, the longest side bordering the river. The many trees give the city a greenness that contrasts with the generally arid surrounding countryside. The Mosque--next to the Large Market--is a modern white building in traditional style. Most buildings are one-story structures of sun-baked brick. Some fine houses are inhabited by ministers and diplomats, but the other quarters, housing Europeans and middle and senior level Nigerien civil servants, are small cement bungalows situated on fair-sized lots. 25X1

NIGERIA

Political Situation

Nigeria embarked last October on a new and untested system of civilian government after 13 years of military rule. The 10-month old regime of President Shehu Shagari, a 55-year old northern Muslim, is functioning reasonably well though not without teething problems. The President is concentrating on making the new constitution work and on institution building, while aggressively trying to broaden the ruling National Party's base of support for the 1983 elections. Shagari's style is low keyed and pragmatic. His stated policies are moderate and sensible. Major domestic priorities are agriculture, housing, education, industry, and improving the foreign investment climate.

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The perponderance of political and military power is held by a coalition of northern Muslim Hausa-Fulani peoples and various minority tribes. Parties representing the two main southern tribes, the Yoruba and the Ibo, control state governments in their home areas and dominate the federal civil service. Shagari's party depends on a working alliance with the Ibo-based party for a governing majority in the federal legislature where none of Nigeria's five political parties predominates.

The Vice President, Alex Ekueme, is also an Ibo.

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Nigerians practice a rather rough and confrontational style of politics, but the new American-inspired constitution has features intended to contain political competition and to accomodate the country's ethnic

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and regional diversity in a framework of national unity. The federal structure largely decentralizes politics to the 19 states where a fair amount of stress can be tolerated without serious jeopardy to the national fabric. Having control of at least one state, each party presumably has a stake in giving civilian rule a chance to succeed and the Shagari government should last its four year term. There appears to be no majority sentiment in the army to resume the burden of government, but it would arise if there is a widespread breakdown in law and order or loss of public confidence in the central government. How the regime handles a recent scandal, involving the alleged misuse by former military leaders of \$5 billion in oil revenues, may provide a major political test.

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Foreign Policy

Nigeria's activist foreign policy assumes that it is destined for African leadership and has a leading role in promoting racial progress in southern Africa. Lagos measures much of its relations with other countries by their stance on southern Africa. The Nigerians regard the attainment of Rhodesian independence as a "model" for Namibia and expect no slackening of Western pressure to end South Africa's own apartheid policies.

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A strong support of wider African economic cooperation, Nigeria sees itself as a champion of African and Third World economic interests. Lagos seeks African solutions to African disputes and to keep Africa free from superpower rivalry. President Shagari seems even more determined than

previous leaders to adhere to strict nonalignment outside Africa and to avoid taking sides between the superpowers. Nigerian nonalignment is tempered, however, by the realization that the West, particularly the US, has more to offer in economic development than does the Communist world.

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Nigeria wants relatively little from the USSR and relations are not close. Nevertheless, Lagos looks to the Soviets for certain sophisticated arms and some alternative technology. Nigeria disapproves of the Soviet invasion of Afghanistan, but tolerates Soviet and Cuban aid to southern African liberation groups as a necessary evil.

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President Shagari accepts that Nigeria's own religious divisions require a low profile on contentious Middle East and Islamic issues. He is unhappy with the US arms policy toward Morocco and lack of a negotiated solution to the Western Sahara conflict. Israel's ties with South Africa remain a stumbling bloc to any Nigerian resumption of relations with Tel Aviv. Lagos is increasingly wary of Libyan meddling in neighboring Chad, which is uncomfortably close to Nigeria's own Muslim north.

Relations with the US

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Nigeria values good relations with the US, from which it wants more investment, technology, and preferred treatment, but not at the expense of compromising Nigeria's African leadership or nonalignment. There is genuine admiration in Nigeria for US political institutions, social progress, economic know-how, and education. But relations could sour should Nigeria conclude that the US commitment to majority rule in

southern Africa is flagging or if it again sees US African policy concerned mainly with countering Soviet influence. Another potential irritant is the likely US rejection of the importation of Nigerian liquefied natural gas, for Lagos views the US market as important to planned gas sales needed to help offset an expected gradual decline of oil exports after 1985. The US, dependent on Nigeria for 16 percent of total oil imports, has relatively little economic or political leverage with Lagos. US investment, mostly in the oil industry, is close to \$1 billion; it is second in Africa only to US investment in South Africa.

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LAGOS AT A GLANCE

Lagos is Nigeria's major administrative, port, and commercial center and is fast becoming an industrial and manufacturing center as well. It is by far the largest city in Black Africa with an estimated population of 3 to 5 million that may swell to 13 million by the year 2000. Lagos exhibits most of the ailments associated with boom conditions in oil-rich developing countries. These include growing disparities between the privileged few and the masses, inflation and unemployment, crime, shortages of consumer goods, massive congestion, and pollution. Population growth has outstripped available housing and public services. However, popular belief that upward mobility is still possible, recent infrastructure improvements, and the operation of Nigeria's traditional extended family welfare system so far have kept social unrest within manageable bounds.

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Lagos is found in the southwestern area of the country dominated by the major Yoruba tribe which constitutes President Shagari's main opposition, the Unity Party of Nigeria. Lagos' position as the federal capital means, however, that people from all tribes and regions are represented. President Shagari is pressing forward with plans, initiated by the previous government, to construct a new capital in Abuja in an undeveloped and ethnically neutral area of central Nigeria.

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The city is hot, bustling, and you will see people peddling their wares on every street corner. Lagos consists of a group of islands

connected to the mainland by bridges. The airport is on the mainland, the business and government offices are on Lagos and Ikoyi islands, and the US embassy is on Victoria island.

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KANO AT A GLANCE

Kano, in Nigeria's predominantly Muslim, dry north, is a thousand year old commercial and cultural center of the region and provides a dramatic contrast to tropical Lagos. A city of over 600,000, it is the capital of Kano state, the most populous (10 million) of the country's 19 states. Kano, located just to the south of the Sahara desert, has long served as a link between North Africa, the Middle East, and West Africa. It has an international Islamic community, including some Libyan families present for more than 200 years.

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The city's old walled section, with its traditional market, the Emir's palace, and central mosque, retains an ancient character. Modern Kano stretches to the south and east with its small business and light industries. Bayero University in Kano city is one of a handful of educational centers in the north where Islamic fundamentalist sentiment has increased among university students, but this has not yet become a troublesome political issue.

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Kano has a well earned reputation for volatile politics. The state is dominated by the small, populist People's Redemption Party which opposes President Shagari's ruling National Party as a "reactionary" tool of the north's traditional commerical and political elite. This group advocates a vague restructuring of northern society to allow more political and economic opportunity to the region's "oppressed" masses. For the past four months, the party has been racked by ideological and generational cleavages and some violence, and it may not endure in its present form.

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CAPE VERDEPolitical Overview

Cape Verde achieved independence in 1975 after a long guerrilla war against Portugal. A single-party state, Cape Verde is governed by the African Party for the Independence of Guinea-Bissau and Cape Verde (PAIGC). President Pereira, the moderate pro-Western leader of the strategically located islands, is determined to preserve his country's nonalignment.

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Most of Cape Verde's 320,000 people are poor and illiterate and health care is inadequate. The government attends to the basic needs of the people, but is faced with a devastating decade old drought, and severe budgetary limitations. Projects to improve living conditions have been possible only because of the assistance of western donors. Programs in education, agriculture, and public works are modest, but well planned and executed, despite great obstacles. More than 70 percent of the budget and virtually all international assistance is devoted to development and alleviation of the drought and decades of neglect and erosion.

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President Pereira has no serious political challenges, although radical students and some dissidents occasionally demonstrate against him. Pereira carefully monitors his pro-Soviet Defense Minister Silvino da Luz. In March 1979 he purged the cabinet of young radicals and consolidated the moderate faction's control of the party and government.

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The President is generally respected by the people, especially for his role in their liberation from Portugal. There is little corruption in the government, though hoarding and speculation are increasing. (S)

Foreign Policy

Cape Verde seeks cooperative relations with all friendly states. Ties with Guinea-Bissau are close because the same political party rules both nations. Pereira has been increasing his military--as well as political and economic--ties to the West, especially Portugal and France, and is keeping cooperation with the USSR at a minimum. The Soviets have had links to political leaders since the liberation struggle and have sought to increase their influence in Cape Verde to win additional facilities to support their commercial and military operations in Africa. Soviet aid has been limited, however, and Pereira rebuffs their requests for military use of the strategically-located islands.

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Relations with the US

Cape Verde's cordial relations with the US are rooted in historic ties between the people. Cape Verdeans began migrating for economic reasons to the US--mainly the northeast--early in the 19th century. Today they number about 300,000 and emigration to the US continues at a rate of about 1700 a year. Many local residents feel a bond with America through relatives or friends. Cape Verde assigned one of its first ambassadors to the US. The US has provided extensive economic and humanitarian assistance, but the needs of the country surpass what it has been able to acquire in international assistance.

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SUBJECT: West Africa Background Papers for the Vice President

Distribution:

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CONFIDENTIALSenegal: Economic Background

Senegal's economy faces a grim year. Crop production in 1979-80 fell by 34 percent as the result of dry weather, acreage cuts, and reduced local availability of seed and fertilizer. Groundnut production, Senegal's chief export, also dropped after having only recently recovered from a disastrous drought in 1977. Foodgrain output also declined as production of millet and sorghum, the principal grains, fell by 38 percent.

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Current Economic Strains

Because Senegal is so heavily dependent on groundnut production, aggregate economic activity fluctuates with that commodity's output. The 1977-78 crop, the worst since 1947, not only contributed to a sharp drop in total farm production but also impacted adversely on industrial output, since the processing of groundnuts into meal and oil is the country's largest industry. As a result, real Gross Domestic Product fell 12 percent in 1978, and the trade deficit jumped from \$141 million to \$354 million. Although the generally good 1978-79 crop generated a 37 percent improvement in the trade account, it could not offset problems elsewhere in the economy. As a result, the economy continued to stagnate and the debt picture worsened.

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The current poor crop, coupled with a 28-percent debt service ratio, will likely boost Senegal's normally moderate aid requirements. Senegal recently received an \$83 million loan from the IMF to help cover its current account deficit because of favorable performance under a five-year austerity program, introduced last year. [redacted]

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Nevertheless, inflation is likely to soar because food prices and wages recently have jumped sharply. Food subsidies -- cut under the austerity drive -- have hiked prices to consumers for such key goods as bread, peanut oil, and sugar. To help ease the shock, public sector wages were raised as much as 34 percent and the minimum wage was increased by one-fourth. [redacted]

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The current \$1.7 billion Five-Year Plan (1977-81) seeks to diversify the economy. Some \$250 million is to be spent on agriculture to reduce the heavy dependence on groundnuts. The fishing industry is to receive \$112 million. Assistance is being provided to the export industries and small-scale manufacturing as part of the attempt to broaden the industrial base. Only about 80 percent of planned goals is likely to be achieved. [redacted]

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Energy

Senegal meets the bulk of its energy needs through imported crude oil. Although oil has averaged only about 14 percent of Dakar's total import bill in recent years, the

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1979 oil price hikes added \$22 million to Senegal's trade deficit. This year's increases are likely to cost Senegal at least an additional \$80 million.

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US Economic Interests

The net book value of US direct investment in Senegal is only \$11 million. However, this figure understates the true value of US interests in Senegal.

- Senegal is important to the success of the Sahel development program, in which the US is heavily involved.

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- The US maintains a favorable trade balance with Dakar.
- The Senghor government's favorable attitude toward foreign businesses offers opportunities for US investors in agro-industry, basic manufacturing, and tourism.

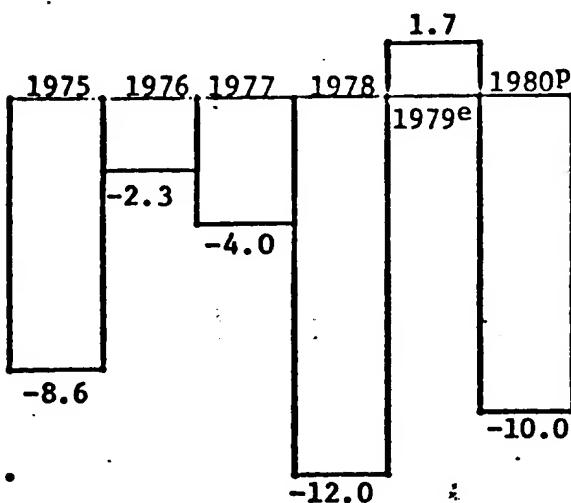
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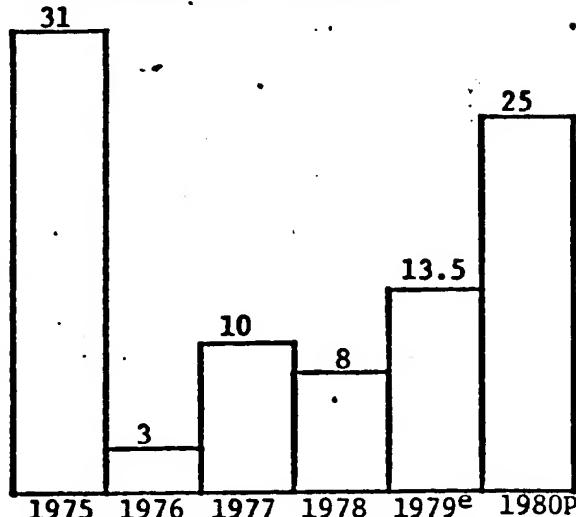
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(Per capita income \$428)

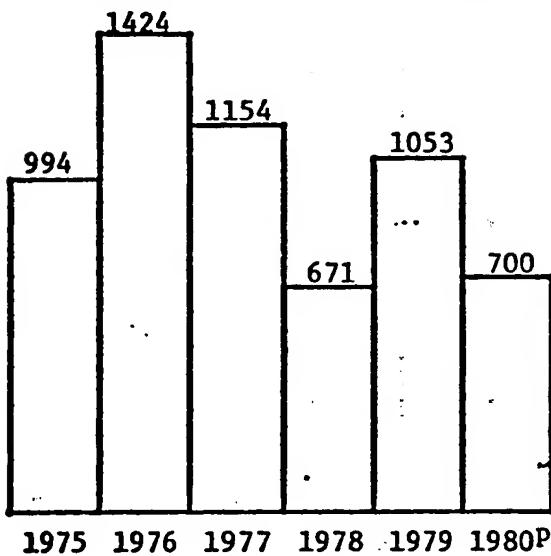
Real GDP Growth (percent change)



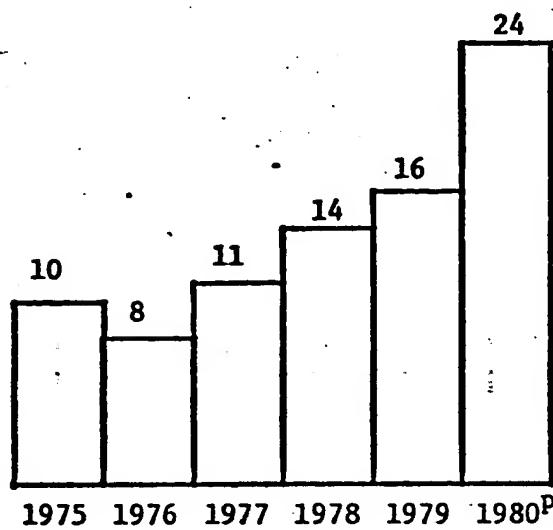
Inflation Rate (percent)



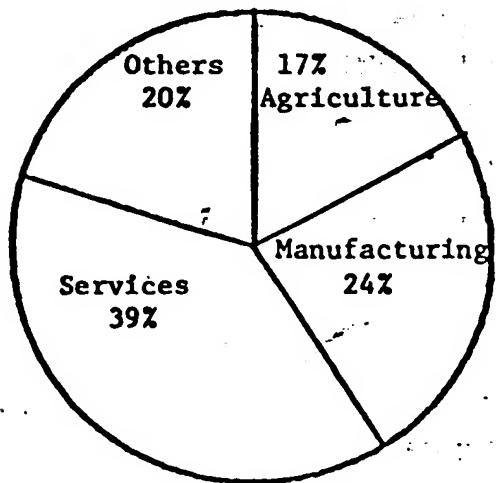
Groundnuts Production (thousand tons)



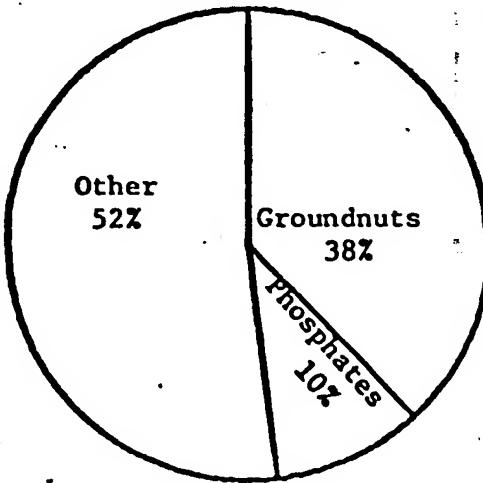
Oil (percent of imports)



Composition of GDP, 1977



Composition of Exports, 1977



e = Estimate
p = Projection

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CONFIDENTIALNigeria: Economic BackgroundCurrent Economic Situation

Oil dominates the Nigerian economy, accounting for close to 35 percent of gross domestic product, 80 percent of government revenues, and more than 90 percent of export earnings. Thanks to sharply higher world oil prices, Lagos is expected to register a record current account surplus of close to \$8 billion this year. Since last October, Nigeria, along with Libya and Algeria, has raised its crude oil prices by almost 60 percent to \$36.95 a barrel, the second highest price charged in OPEC.

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Nigeria's healthy financial picture is a sharp turnaround from the payments deficits of 1976-78. Buoyed by the quadrupling of oil prices in 1973-74, Lagos embarked on an ambitious plan of rapid development designed to develop a heavy industrial sector, a modern transport network, and improved social services. The resulting government spending boom on costly, sometimes wasteful, development projects sent imports of goods and services spiraling. A fourfold increase in food imports -- reflecting the low development priority accorded agriculture -- and a sharp rise in consumer spending contributed to a mounting trade imbalance. At the same time, oil revenues

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lagged as output declined from 2.3 million b/d in 1974 to
1.9 million b/d in 1978. []

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To ward off serious balance of payments problems, the military government in late 1978 issued a series of austerity measures, including severe import restrictions and a freeze on new development projects. These measures led to a substantial decline in real import growth last year and contributed to a \$3.6 billion current account surplus. Continued import restrictions on many items will keep import growth at moderate levels this year. []

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Given the outlook for a tight world oil market, the Nigerian economy should be able to grow at 8-10 percent annually over the next few years. The major challenge of the civilian government will be to spread the oil wealth more equally among regions and ethnic groups while attempting to develop the non-oil sector before oil resources are depleted, perhaps by the end of this century. Agriculture, the traditional backbone and livelihood of most Nigerians, has been grossly neglected, while manufacturing accounts for only 7 percent of national output. Economic development is hampered by severe skilled labor shortages, bureaucratic red tape, an unfavorable investment climate, and a huge population which grows 2.5 percent annually. []

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Oil Policy

While oil policy will continue to be dictated by the government's overwhelming dependence on petroleum for revenues,

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the issue of the resource base will become an increasingly serious factor in policy deliberations. Nigeria will require a major drilling program through the 1980s if it intends to maintain oil production near current levels beyond the 1980s. Nigerian oil production reached a peak of just over 2.4 million b/d in first half 1979, as the outgoing military government sought to build foreign exchange reserves. The government, citing technical reasons, ordered cuts last August amounting to about 10 percent of output. Production since then has been maintained at about 2.15 million b/d -- slightly above the average level of output since 1973. President Shagari refused to follow a production cutback last April by other OPEC members, but probably will do so if Nigerian oil prices start to slip. □ 25X1

Last year's nationalization of British Petroleum's 20 percent interest in the Shell/BP/Nigerian National Petroleum Company (NNPC) venture and BP's 40 percent share in the marketing operation it had with the NNPC was clearly designed by the outgoing military regime to evidence its willingness to use oil as a foreign policy instrument. Lagos' move was prompted, in part, by London's June announcement that it was easing its restrictive policy on oil sales to South Africa. President Shagari has endorsed use of oil and other economic levers against governments supporting South Africa. □ 25X1

US Interests

Nigeria is the second largest source of US oil imports after Saudi Arabia. Last year over 50 percent of Nigerian

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production was exported to the US, where it accounted for 15 percent of total US imports and about 7 percent of US consumption. The lighter Nigerian crudes yield a large proportion of the more valuable petroleum products, such as gasoline. The heavier Nigerian crudes are also generally desirable to US refiners because of their low sulfur content. This year Lagos is expected to record a \$12 billion trade surplus with the US, more than any other US trading partner. 25X1

The bulk of US investment in Nigeria -- estimated at \$350 million -- is connected with the petroleum industry. Although Lagos has a 60 percent ownership in all oil ventures, production is still in the hands of Western companies. Investment has dropped off sharply in recent years because of an increasingly aggressive oil policy and insufficient investment incentives. 25X1

The Nigerian government continues to complain about US footdragging in approving the import of Nigerian liquefied natural gas (LNG). Lagos considers gas sales to the US crucial to the success of a planned \$10 billion LNG system. The Nigerians threaten to link continued sale of Nigerian crude oil to US imports of Nigerian LNG. The Nigerians want to start operations at the plant by 1985, largely to compensate for revenue lost due to anticipated declines in oil production. Seven European gas companies have signed a 20-year agreement to import nearly half of this gas or close to 1 billion cubic

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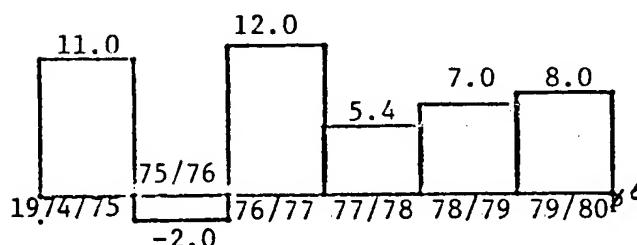
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feet per day. Four US utilities have indicated an interest in buying up the remaining output but are unwilling to make a firm commitment, because they are not sure the necessary US import licenses will be granted.

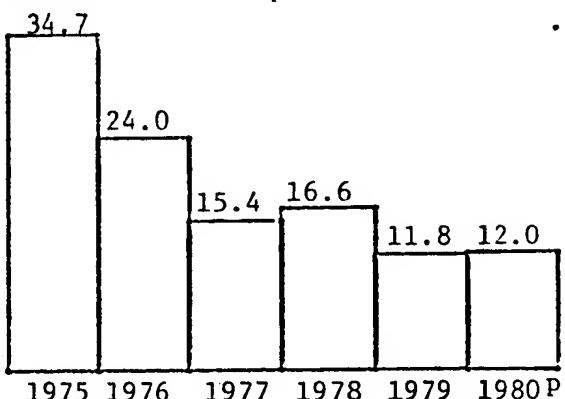
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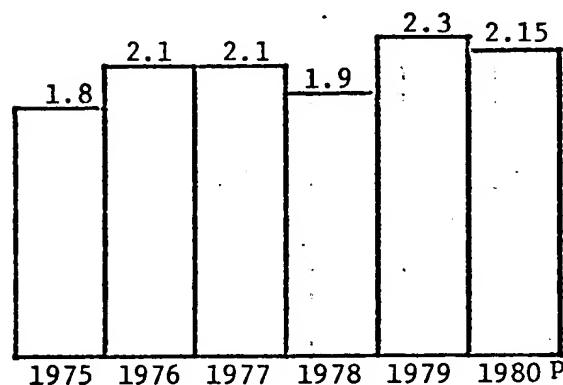
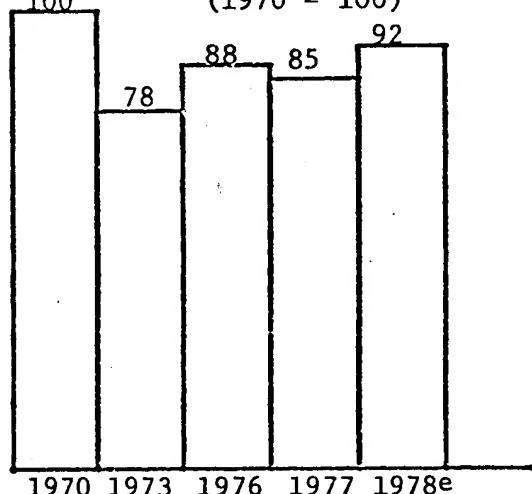
Real GDP Growth (percent change)



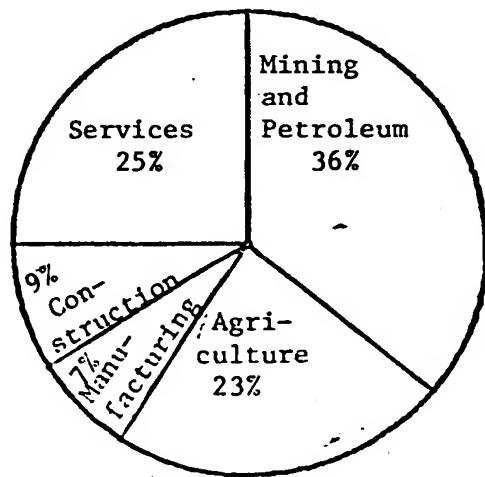
Inflation Rate (percent)



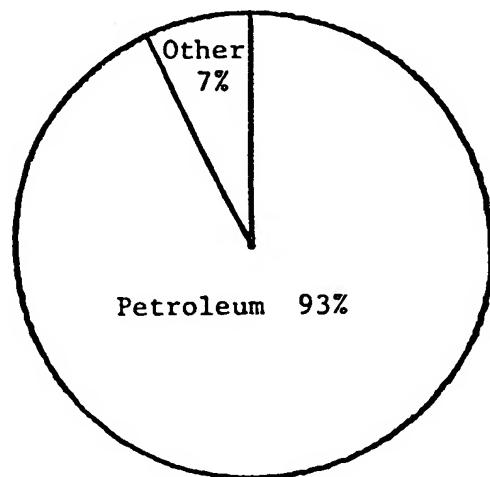
Crude Oil Production, (million b/d)

Per Capita Food Production (index)
(1970 = 100)

Composition of Real GDP, 1977/78



Composition of Exports, 1979



e = estimate

p = projection

CONFIDENTIALNiger: Economic Background

Niger is one of the poorest countries in the world with a per capita GDP of slightly more than \$400. The majority of its 5 million people derive a livelihood from agriculture or nomadic livestock raising. Nevertheless, Niger has experienced significant economic growth -- albeit from a rudimentary base -- since the discovery of uranium in 1972. Real gross domestic product has grown an average of 11 percent annually during the last four years as uranium exports have expanded. Meanwhile, agricultural output has recovered from the Sahelian Drought that crippled Niger's economy during the early 1970s. Cautious fiscal policies by the government of President Kauntchi, which came to power in 1974, have produced budget surpluses during the last four years.

25X1

Agriculture - a Mixed Picture

Agricultural output has grown significantly because of recent favorable weather and the high official priority assigned to expanding grain production. Millet and sorghum production in 1977-78 totaled 1.5 metric tons -- a record

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level until that time. During the past two years, output has grown even more -- 2 percent and 10 percent, respectively -- making Niger almost self-sufficient in these products. [] 25X1

Niger's cash crops, however, have not fared as well. Groundnuts, cotton, and cowpeas -- comprising the largest share of Niger's exports before the drought -- have contributed little in recent years because of losses due to pests and disease and to farmer disinterest in growing cash crops because of low government purchase prices. The drop in output -- particularly of groundnuts -- also has impacted on Niger's nascent light industry since cash crops provide most of the raw material input. In 1979, only one of Niger's three groundnut oil mills was operating. The government recently has boosted the cash crop selling price in an attempt to stimulate production. [] 25X1

Niger's livestock sector, which accounts for about 26 percent of GDP, was hardest hit by the Sahelian Drought and is only now returning to pre-drought level. The government has provided sizable assistance for reconstituting the herds and improving their quality. [] 25X1

Minerals - Funds for Economic Growth

The catalyst in Niger's economy today is the rapid growth of uranium production. Output last year reached 3,330 metric tons and earned nearly \$350 million in foreign exchange -- about 80 percent of Niger's total export earnings.

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Output is expected to approach 4,000 metric tons this year. Reserves of uranium are estimated to total at least 100,000 metric tons. Niger expects uranium exports to amount to more than \$1 billion annually by 1985. 25X1

Niger's other minerals contribute little but have potential for growth. Small amounts of cassiterite are exported, and there are proven deposits of phosphate totaling some 500 million tons. Niger has vast deposits of coal, though there are no plans to produce more than the 200,000 metric tons a year by 1981 needed to produce electricity. 25X1

The External Accounts

Despite the growth of export earnings, Niger continues to run sizable trade deficits. While exports rose from \$154 million in 1976 to \$491 million in 1979, exports jumped from \$162 million to \$552 million. Much of the growth in import costs, however, reflects the rising price of oil. The deficits generally have been financed with aid, although investments and loans have become more significant. Foreign aid represented about 8 percent of GDP in 1978. Niger's foreign debt totals nearly \$350 million, predominately to official rather than private sources. 25X1

US Interests

US economic interests in Niger center around mineral development and trade. American investment in 1975 -- the latest year for which information is available -- totaled

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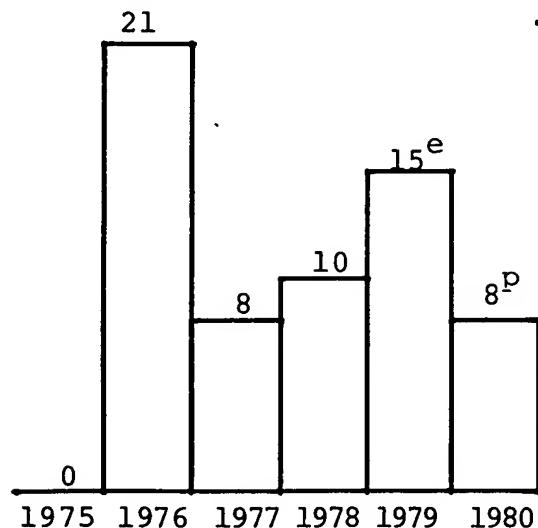
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\$28 million but certainly has grown considerably since then. Presently, two American companies are engaged in uranium exploration in north central Niger. One, Conoco, is considering investing in the development of mines at Imouraren, reported to be the fifth largest uranium deposit in the Free World. Several other US companies have indicated interest in obtaining uranium exploration permits. Fluor Corporation and Davy-McKee have won contracts for mining feasibility studies. Niger's development program has opened markets for various American products, including heavy trucks, road construction equipment, mining equipment, and radio and electronic gear. Much of the air conditioning equipment sold to Niger is American.

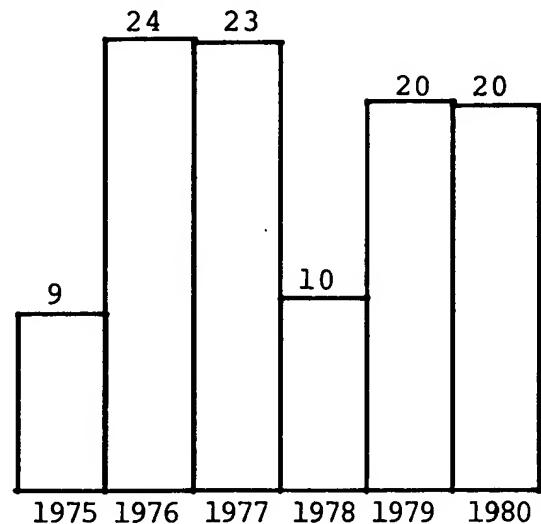
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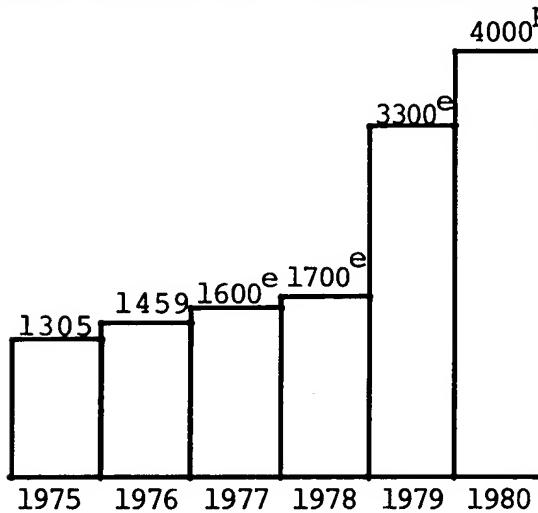
Real GDP Growth (Percent Change)



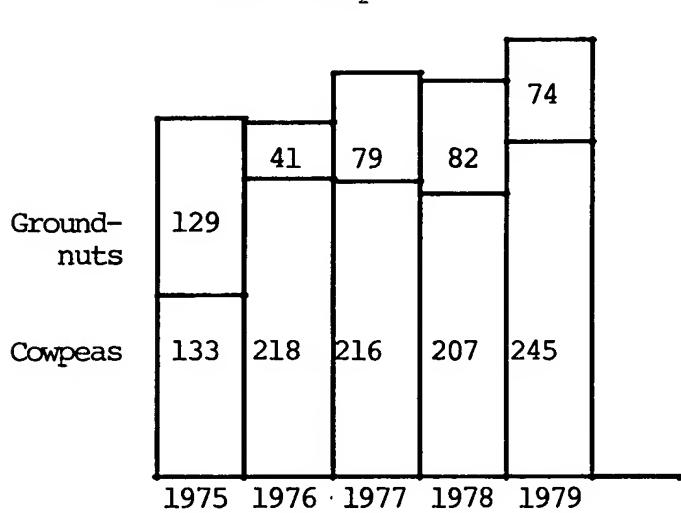
Inflation Rate (Percent)



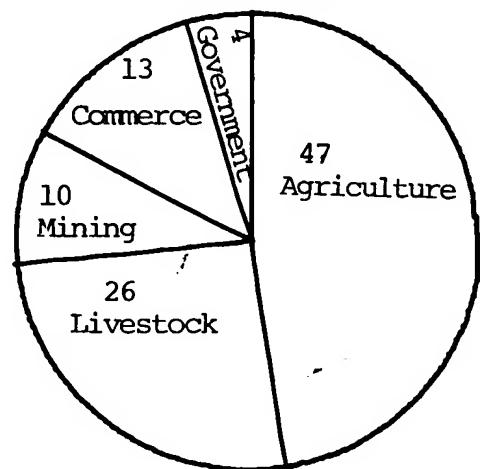
Uranium Production (thousand tons)



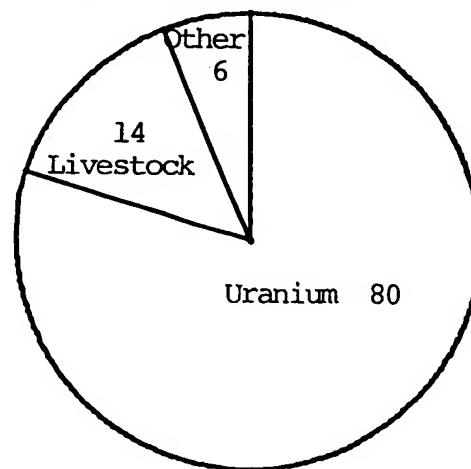
Cash Crop



Composition of GDP, 1978



Composition of Exports, 1978



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